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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

Arizona Corporation Commission

DOCKETED

ROBERT "BOB" BURNS - Chairman
BOYD DUNN
SANDRA D. KENNEDY
JUSTIN OLSON
LEA MÁRQUEZ PETERSON

AUG 19 2019

DOCKETED BY
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In the matter of:

SKYTRACE, Inc., an Idaho corporation,

ROBERT S. SMITH (CRD #1145094), and
JANICE SMITH, husband and wife, and

ROLAND B. WOOLSEY, a married man,

Respondents.

DOCKET NO. S-21055A-18-0309

77370

DECISION NO. _____

**ORDER TO CEASE AND DESIST, ORDER
FOR RESTITUTION, ORDER FOR
ADMINISTRATIVE PENALTIES AND
CONSENT TO SAME**

BY: ROLAND B. WOOLSEY

Respondent Roland B. Woolsey ("Respondent") elects to permanently waive any right to a hearing and appeal under Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act") with respect to this Order to Cease and Desist, Order for Restitution, Order for Administrative Penalties, and Consent to Same ("Order"). Respondent admits the jurisdiction of the Arizona Corporation Commission ("Commission"); neither admits nor denies the Findings of Fact and Conclusions of Law contained in this Order; and consents to the entry of this Order by the Commission.

I.

FINDINGS OF FACT

1. At all times relevant, Roland B. Woolsey ("Woolsey") was married and a resident of Idaho. Woolsey has not been registered by the Commission as a securities salesman or dealer.

1 2. At all times relevant, Robert S. Smith ("Smith") was married to Janice Smith, and both
2 were residents of Arizona. Smith has not been registered with the Commission as a securities salesman
3 or dealer. At all times relevant, Smith was the Chairman of the Board of Skytrace, Inc.

4 3. At all times relevant, Skytrace, Inc. ("Skytrace") was an Idaho corporation organized
5 under the laws of the state of Idaho in January of 2012. Skytrace also operated under the assumed
6 business names Unblinking Infomatics and Unblinking Technologies. Smith and Woolsey were the
7 incorporators and directors of Skytrace. Skytrace has not been registered with the Commission as a
8 securities salesman or dealer.

9 4. In 2009, Woolsey and another individual created Skytrace to sell GPS fleet tracking
10 and on-board diagnostic technology [also known as telematics] for application in the automobile
11 industry. At all times relevant, Woolsey was the Chief Executive Officer of Skytrace.

12 5. On or about November 2015, Woolsey and others offered and sold securities in the
13 form of a promissory note ("Skytrace Note") within or from Arizona to at least one Arizona resident
14 ("AZ Investor").

15 6. In October of 2015, Smith moved to Arizona and was introduced to the AZ Investor
16 and her husband ("Offeree 1"), by mutual acquaintances. Smith represented to the AZ Investor and
17 Offeree 1 that he was the co-founder of Skytrace, a start-up company with enormous potential.
18 Offeree 1 was offered an opportunity to "invest in a short-term, high interest paying loan agreement,"
19 to help Skytrace "get off the ground" and nationally launch Skytrace's GPS fleet tracking and on-
20 board diagnostic technology product.

21 7. Offeree 1 was provided with a one-page company profile ("Company Profile") of
22 Unblinking Infomatics, which was an assumed business name of Skytrace. According to the
23 Company Profile, Skytrace offered "a web-based application for dealers to manage their inventory
24 ... [and] a phone and web-based application for auto owners to manage use of their vehicles." Further,
25 Skytrace was seeking to raise \$10,000,000 in investment capital, and was projected to generate
26 \$413,319,750 in total revenue by 2018.

1 8. AZ Investor and Offeree 1 were provided with a copy of Skytrace's M2M Platform
2 Investment Profile ("Investment Profile"). Under the Executive Summary section of the Investment
3 Profile, it stated "Skytrace is seeking investment [sic] to scale production of its second generation
4 Mobile to Mobile (M2M) platform ... [t]he platform creates new and unique value in the market
5 (~\$750M)."

6 9. On or about November 3, 2015, the AZ Investor decided to individually invest in
7 Skytrace. The AZ Investor issued a check for \$150,000 to Skytrace. In exchange for the check, the
8 AZ Investor received a promissory note issued by Skytrace ("Skytrace Note"), which was executed
9 by the AZ Investor and later by Woolsey.

10 10. According to Exhibit A of the Skytrace Note, Woolsey and others relied on a
11 Regulation- D exemption from registration. However, during the relevant time-period, Woolsey and
12 others failed to ask and/or verify whether the AZ Investor and/or Offeree 1 were accredited investors.
13 When in fact, neither AZ Investor nor Offeree 1 were accredited investors.

14 11. According to the Skytrace Note, "[t]his Note is delivered in Mesa, Arizona, and it
15 shall be deemed to have been made there."

16 12. According to the Skytrace Note, the AZ Investor was promised interest payments of
17 2.5% [\$3,750] each month for the first four months of the loan agreement. And, the entire unpaid
18 balance of \$150,000 "shall be due and payable on March 1, 2016." If the Debtor "defaults under the
19 terms of this Note ... then all indebtedness evidenced by this Note, together with all other monies
20 owing by Debtor to Lender shall be due and payable immediately in full without notice, at the election
21 of the Lender."

22 13. Under the Warrants section of the Skytrace Note, it states "Debtor agrees to hold
23 150,000 shares of class A common stock in reserve for Lender (Warranty Stock) and Lender has the
24 right at any time during the term of this Note to request in writing the exchange of debt for stock at
25 the rate of \$1 of debt for 1 share of stock to a total of \$150,000 shares of stock in exchange for the
26 entire debt."

1 14. Neither the Skytrace Note nor Skytrace's common stock have been registered with
2 the Commission.

3 15. The AZ Investor's investment check was deposited into Skytrace's bank account at
4 Wells Fargo Bank. At all relevant times, Woolsey and another were the signatories of Skytrace's
5 bank account.

6 16. On or about December 1, 2015, the AZ Investor received her first interest payment in
7 the amount of \$3,275, which was \$475 short of the promised 2.5%. On or about December 8, 2015,
8 Offeree 1 contacted Smith on behalf of the AZ Investor, via email, regarding the underpayment of
9 the interest payment. On or about December 9, 2015, Woolsey responded, via email, and stated "[t]he
10 issue with the check was likely transposition of numbers either on my end or accounting ... I will get
11 it rectified tomorrow."

12 17. For the month of January 2016, the AZ Investor did not receive her promised 2.5%
13 interest payment of \$3,750. On or about February 2, 2016, the AZ Investor received an interest
14 payment in the amount of \$4,225. The additional \$475 only covered the remaining balance that was
15 due on the December 2015 interest payment.

16 18. On or about February 15, 2016, the AZ Investor sent an email to Woolsey and others,
17 the email had an attached letter which stated, "I elect to exercise my right to be repaid by check my
18 principle [sic], and remaining interest due, in the total amount of \$157,000 on or before March 1,
19 2016." On February 15, 2016, the AZ Investor received a response, via email that stated "[w]e have
20 received your email and acknowledge your request."

21 19. From at least April of 2016, to at least August of 2016, the AZ Investor sent at least
22 three Demand of Payment letters to Woolsey and others, via email. From at least October of 2016,
23 to at least June of 2017, Offeree 1 sent at least three Demand of Payment letters, on behalf of AZ
24 Investor, to Skytrace and others, via email.

25 20. On February 14, 2017, Woolsey sent a response email to Offeree 1 stating that he was
26 in receipt of Offeree 1's letter. Woolsey further stated that he has been in negotiations with a group

1 from South Korea for a \$10,000,000 investment in Skytrace, and that there was no guarantee that it
2 will get finalized. Woolsey further stated “[i]n light of the situation a supportive attitude would be
3 better because if this thing goes down, nobody gets paid and everybody loses. Rest assured that as
4 soon as we are in a position to do so you will get paid.”

5 21. On or about July 27, 2017, Woolsey sent another response, via email to the AZ
6 Investor and Offeree 1 stating “[w]e are currently trying to set a meeting with investors from Korea
7 ... we may be able to consummate a deal. We have 4 other potential investors that we may be able
8 to stitch together to get us fully funded. We are still on track ... to deploy to multiple dealers. That
9 is all I have for now.”

10 22. The AZ Investor invested \$150,000 and has only received \$7,500 back. The remaining
11 principal owed is \$142,500.

12 II.

13 CONCLUSIONS OF LAW

14 1. The Commission has jurisdiction over this matter pursuant to Article XV of the
15 Arizona Constitution and the Securities Act.

16 2. Respondent offered or sold securities within or from Arizona, within the meaning of
17 A.R.S. §§ 44-1801(16), 44-1801(22), and 44-1801(27).

18 3. Respondent violated A.R.S. § 44-1841 by offering or selling securities that were
19 neither registered nor exempt from registration.

20 4. Respondent violated A.R.S. § 44-1842 by offering or selling securities while neither
21 registered as a dealer or salesman nor exempt from registration.

22 5. Respondent’s conduct is grounds for a cease and desist order pursuant to A.R.S. § 44-
23 2032.

24 6. Respondent’s conduct is grounds for an order of restitution pursuant to A.R.S. § 44-
25 2032.

26 7. Respondent’s conduct is grounds for administrative penalties under A.R.S. § 44-2036.

III.**ORDER**

1
2
3 THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, and Respondent's
4 consent to the entry of this Order, attached and incorporated by reference, the Commission finds that
5 the following relief is appropriate, in the public interest, and necessary for the protection of investors:

6 IT IS ORDERED, pursuant to A.R.S. § 44-2032, that Respondent, and any of Respondent's
7 agents, employees, successors and assigns, permanently cease and desist from violating the Securities
8 Act.

9 IT IS FURTHER ORDERED that Respondent complies with the attached Consent to Entry
10 of Order.

11 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that Respondent shall, jointly
12 and severally with all Respondents against whom orders are entered under Docket No. S-21055A-
13 18-0309, pay restitution to the Commission in the principal amount of \$142,500 as a result of the
14 conduct set forth in the Findings of Fact and Conclusions of Law. Payment is due in full on the date
15 of this Order. Payment shall be made to the "State of Arizona" to be placed in an interest-bearing
16 account controlled by the Commission. Any principal amount outstanding shall accrue interest from
17 the date of this Order until paid in full.

18 IT IS FURTHER ORDERED that the restitution ordered in the preceding paragraph will
19 accrue interest, as of the date of the Order, at the rate of the lesser of (i) ten percent per annum or (ii)
20 at a rate per annum that is equal to one per cent plus the prime rate as published by the board of
21 governors of the federal reserve system in statistical release H. 15 or any publication that may
22 supersede it on the date that the judgment is entered.

23 The Commission shall disburse the funds on a pro-rata basis to investors shown on the records
24 of the Commission. Any restitution funds that the Commission cannot disburse because an investor
25 refuses to accept such payment, or any restitution funds that cannot be disbursed to an investor
26 because the investor is deceased shall be disbursed on a pro-rata basis to the remaining investors

1 shown on the records of the Commission. Any funds that the Commission determines it is unable to
2 or cannot feasibly disburse shall be transferred to the general fund of the state of Arizona.

3 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that Respondent shall pay an
4 administrative penalty in the amount of \$5,000 as a result of the conduct set forth in the Findings of
5 Fact and Conclusions of Law. Payment is due in full on the date of this Order. Payment shall be made
6 to the "State of Arizona." Any amount outstanding shall accrue interest as allowed by law.

7 IT IS FURTHER ORDERED that payments received by the state of Arizona shall first be
8 applied to the restitution obligation. Upon payment in full of the restitution obligation, payments
9 shall be applied to the penalty obligation.

10 For purposes of this Order, a bankruptcy filing by the Respondent shall be an act of default.
11 If Respondent does not comply with this Order, any outstanding balance may be deemed in default
12 and shall be immediately due and payable.

13 IT IS FURTHER ORDERED, that if Respondent fails to comply with this order, the
14 Commission may bring further legal proceedings against Respondent, including application to the
15 superior court for an order of contempt.

16 IT IS FURTHER ORDERED, that no finding of fact or conclusion of law contained in this
17 Order shall be deemed binding against any Respondent under this Docket Number who has not
18 consented to the entry of this Order.

19 IT IS FURTHER ORDERED, that the restitution and penalty belong to the Respondent and
20 his marital community as applicable.

21 ...

22 ...

23 ...

24 ...

25 ...

26 ...

IT IS FURTHER ORDERED that this Order shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

RECUSED

CHAIRMAN BURNS

COMMISSIONER DUNN

COMMISSIONER KENNEDY

COMMISSIONER OLSON

COMMISSIONER MARQUEZ PETERSON



IN WITNESS WHEREOF, I, MATTHEW J. NEUBERT, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 19 day of August, 2019.

Matthew J. Neubert
MATTHEW J. NEUBERT
EXECUTIVE DIRECTOR

DISSENT

DISSENT

This document is available in alternative formats by contacting Kacie Cannon, ADA Coordinator, voice phone number (602) 542-3931, e-mail kcannon@azcc.gov.

(MS)

CONSENT TO ENTRY OF ORDER

1
2 1. Respondent Roland B. Woolsey ("Respondent"), an individual, admits the jurisdiction
3 of the Commission over the subject matter of this proceeding. Respondent acknowledges that
4 Respondent has been fully advised of Respondent's right to a hearing to present evidence and call
5 witnesses and Respondent knowingly and voluntarily waives any and all rights to a hearing before
6 the Commission and all other rights otherwise available under Article 11 of the Securities Act and
7 Title 14 of the Arizona Administrative Code. Respondent acknowledges that this Order to Cease and
8 Desist, Order for Restitution, Order for Administrative Penalties, and Consent to Same ("Order")
9 constitutes a valid final order of the Commission.

10 2. Respondent knowingly and voluntarily waives any right under Article 12 of the
11 Securities Act to judicial review by any court by way of suit, appeal, or extraordinary relief resulting
12 from the entry of this Order.

13 3. Respondent acknowledges and agrees that this Order is entered into freely and
14 voluntarily and that no promise was made or coercion used to induce such entry.

15 4. Respondent acknowledges that he has been represented by an attorney in this matter,
16 Respondent has reviewed this Order with Respondent's attorney, Alan Baskin of Baskin Richards
17 PLC, and understands all terms it contains.

18 5. Respondent neither admit nor deny the Findings of Fact and Conclusions of Law
19 contained in this Order. Respondent agrees that he shall not contest the validity of the Findings of
20 Fact and Conclusions of Law contained in this Order in any present or future proceeding in which
21 the Commission is a party.

22 6. The Respondent further agrees that he shall not deny or contest the Findings of Fact
23 and Conclusions of Law contained in this Order in any present or future: (a) bankruptcy proceeding,
24 or (b) non-criminal proceeding in which the Commission is a party (collectively, "proceeding(s)").
25 Respondent further agrees that in any such proceedings, the Findings of Fact and Conclusions of
26 Law contained in this Order may be taken as true and correct and that this Order shall collaterally

1 estop from re-litigating with the Commission or any other state agency, in any forum, the accuracy
2 of the Findings of Fact and Conclusions of Law contained in this Order. In the event, Respondent
3 pursues bankruptcy protection in the future, Respondent further agrees that in such bankruptcy
4 proceeding, pursuant to 11 U.S.C. § 523(a)(19), the following circumstances exist:

5 A. The obligations incurred as a result of this Order are a result of the conduct set forth
6 in the Findings of Fact and Conclusions of Law in the Order and are for the violation of Arizona
7 state securities laws, pursuant to 11 U.S.C. § 523(a)(19)(A)(i);

8 B. This Order constitutes a judgment, order, consent order, or decree entered in a state
9 proceeding pursuant to 11 U.S.C. § 523(a)(19)(B)(i), a settlement agreement entered into by
10 Respondent pursuant to 11 U.S.C. § 523(a)(19)(B)(ii), and a court order for damages, fine, penalty,
11 citation, restitution payment, disgorgement payment, attorney fee, cost or other payment owed by
12 Respondent pursuant to 11 U.S.C. § 523(a)(19)(B)(iii).

13 7. By consenting to the entry of this Order, Respondent agrees not to take any action or
14 to make, or permit to be made, any public statement denying, directly or indirectly, any Finding of
15 Fact or Conclusion of Law in this Order or creating the impression that this Order is without factual
16 basis.

17 8. While this Order settles this administrative matter between Respondent and the
18 Commission, Respondent understands that this Order does not preclude the Commission from
19 instituting other administrative or civil proceedings based on violations that are not addressed by this
20 Order.

21 9. Respondent understands that this Order does not preclude the Commission from
22 referring this matter to any governmental agency for administrative, civil, or criminal proceedings
23 that may be related to the matters addressed by this Order.

24 10. Respondent understands that this Order does not preclude any other agency or officer
25 of the state of Arizona or its subdivisions from instituting administrative, civil, or criminal
26 proceedings that may be related to matters addressed by this Order.

1 11. Respondent agrees that he will not apply to the state of Arizona for registration as a
2 securities dealer or salesman or for licensure as an investment adviser or investment adviser
3 representative until such time as all restitution and penalties under this Order are paid in full.

4 12. Respondent agrees that he will not exercise any control over any entity that offers or
5 sells securities or provides investment advisory services within or from Arizona until such time as
6 all restitution and penalties under this Order are paid in full.

7 13. Respondent agrees that he will continue to cooperate with the Securities Division
8 including, but not limited to, providing complete and accurate testimony at any hearing in this matter
9 and cooperating with the state of Arizona in any related investigation or any other matters arising
10 from the activities described in this Order.

11 14. Respondent consents to the entry of this Order and agrees to be fully bound by its
12 terms and conditions.

13 15. Respondent acknowledges and understands that if he fails to comply with the
14 provisions of the order and this consent, the Commission may bring further legal proceedings against
15 Respondent, including application to the superior court for an order of contempt.

16 16. Respondent acknowledges and understands that the restitution and penalty belong to
17 the Respondent and his marital community as applicable.

18 17. Respondent understands that default shall render Respondent liable to the
19 Commission for its costs of collection, including reasonable attorneys' fees and interest at the
20 maximum legal rate.

21 ...

22 ...


23 ...

24 ...

25 ...


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18. Respondent agrees and understands that if Respondent fails to make any payment as required in the Order, any outstanding balance shall be in default and shall be immediately due and payable without notice or demand. Respondent agrees and understands that acceptance of any partial or late payment by the Commission is not a waiver of default by the Commission.


Roland B. Woolsey

STATE OF IDAHO)
County of Ada) ss

SUBSCRIBED AND SWORN TO BEFORE me this 22nd day of July, 2019.


NOTARY PUBLIC

My commission expires:

May 1, 2024



1 SERVICE LIST FOR: Roland B. Woolsey *et al.*

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3 Baskin Richards PLC
4 2901 N. Central Avenue, Suite 1150
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